

U. S. Department of Housing and Urban Development

Public and Indian Housing

Special Attention of:
State/Area Coordinators;
Directors, Public Housing
Divisions; All Public
Housing Agencies

Notice PIH 98-23(HA)

Issued: April 13, 1998

Expires: April 30, 1999

Subject: Public Housing Development Cost Limits

1. Purpose. This Notice is to:
 - a. Explain procedures for establishing public housing development cost limits.
 - b. Transmit the attached updated schedule of unit total development cost (TDC) limits, which are effective immediately for developments without executed construction/rehabilitation contracts.
 - c. This Notice does not apply to Indian housing.
 - d. HUD expects to issue a Notice in the near future with additional information in TDC and cost control policies.
2. Background.
 - a. Section 6(b) of the United States Housing Act requires that the Department establish TDC limits by multiplying construction cost "guidelines" (determined by averaging the current construction costs of two nationally recognized cost indices) by:
 - (1) 1.6 for elevator structures; and
 - (2) 1.75 for non-elevator structures.
 - b. The TDC limits are based on gross area of unit sizes as follows: 0-bedroom 500 square feet (SF), 1-bedroom 700 SF, 2-bedroom 900 SF, 3-bedroom 1,200 SF, 4-bedroom 1,500 SF, 5-bedroom 1,700 SF

and 6-bedroom 1,900 SF. These unit sizes represent today's standards for modest but decent housing.

- c. In order to conform with the most commonly used national cost indices, the department is in the process of revising the program for establishing the TDCs using Marshall and Swift and R.S. Means. The Department expects that the new program will be ready for use in time for the next update of TDCs. Please note that the change from Boeckh to R.S. Means will have little or no financial impact. R.S. Means housing quality will be as close to the Boeckh standard as possible.
3. Calculating a Development's TDC. The maximum TDC for a development is calculated by multiplying the number of units for each bedroom size and structure type times the applicable unit TDC limits and adding the resulting amounts for all units in the proposed development. A "trend" factor is applied to this total amount for inflation because the construction of the development would not be completed, on the average, for two years after the funds are reserved. For example, the maximum TDC of \$1,400,000 for a hypothetical development would be calculated as follows:

<u>Structure Type</u>	<u>Bedroom Size</u>	<u>No. of Units</u>	<u>TDC Limits</u>	<u>Total</u>
Row	3-BR	10 x	\$68,000	\$680,000
Row	4-BR	10 x	72,000	720,000
				<u>\$1,400,000</u>
				\$1,400,000 x 0.06 (6% trend factor)
				<u>84,000</u>
				<u>\$1,484,000</u>

4. Initial Fund Reservation. Although Section 6(b) authorizes TDCs up to 110 percent of the TDC limit, Field Offices will not have authority to approve TDCs in excess of 100 percent.

5. Cost Limits for the State of Alaska. In the event that public housing is developed outside the metropolitan market areas of Alaska identified in this Notice, cost limits established on the basis of the statutory methodology for the Indian housing program shall be used.

_____/s/ Deborah Vincent
Acting Assistant Secretary for
Public and Indian Housing

Attachment (Cost Limits are not attached.)